

Working Paper

Research Unit EU Integration
Stiftung Wissenschaft und
Politik
German Institute for
International
and Security Affairs



Roderick Parkes

Immigration from the EU's "new" member states

Lessons from the UK

Working papers are papers in the subject area of a Research Unit, which are not officially published by SWP. These papers are either preliminary studies that later become papers published by SWP or papers that are published elsewhere. Your comments are always welcome.

Ludwigkirchplatz 3-4
10719 Berlin
Phone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

**Working Paper FG 1, 2008/ 12, May 2008
SWP Berlin**

Contents

1. The UK government as standard-bearer for free movement	2
2. Challenging the British government's claims	2
3. An argument for restriction?.....	3
4. The Five's decision in context.....	3
5. Preparing for free movement	4
6. Concluding remarks.....	5

In 2004, the British government adopted a liberal stance towards immigrant workers from the EU's eight new central and eastern European members. Research recently undertaken by the House of Lords suggests that the government has overplayed the benefits of opening the labour market in this way. This research has in turn bolstered opponents of liberalisation in those five member states still maintaining labour-market restrictions. Yet, the current debate in some of the Five appears too narrow: under EU rules, they can no longer take the decision to maintain these restrictions based on the kind of simple cost/benefit analysis undertaken by the Lords. Indeed, the Five will be required to completely remove their transitional labour-market restrictions by 2011 at the latest. The real question is therefore: what lessons can be learnt from the UK in preparing for free movement?

1. The UK government as standard-bearer for free movement

Following the enlargement of the EU in 2004, the majority of the “old” member states resorted to transitional arrangements allowed under the Accession Treaty, restricting the labour-market access of immigrants from the eight new central and eastern members (A-8). Along with Sweden and Ireland, only the UK refused to block labour-market access for workers from the A-8, thus recognising the principle of free movement contained in the EC Treaty.

The UK government did, however, introduce a Worker Registration Scheme (WRS) in order to monitor the numbers of A-8 citizens working in the country. Responding to concerns about “welfare shopping”, the government also introduced the *Social Security (Habitual Residence) Amendment Regulations* (2004) reducing A-8 workers’ access to the welfare system.

Despite these minor restrictions, the UK has become *the* point of reference for the other EU-15 states when deciding whether to dismantle their transitional arrangements. By 2007, seven other EU-15 governments had been sufficiently impressed by the British experience to remove their restrictions. Proponents of liberalisation in the five remaining “old” EU states also looked on in envy as the British approach bore economic fruit.

Yet, the Economic Committee of the House of Lords, the second chamber of the British Parliament, has questioned the rosy picture presented by the UK government. Since the five remaining “old” members (the restrictive “R-5”: Austria, Germany, France, Denmark and Belgium) must shortly decide whether to maintain their restrictions for a further two years, this evidence has received some little attention.

2. Challenging the British government's claims

The British government has justified its free-movement approach on the grounds that it is beneficial for the economy and welfare system; for immigration control; and for relations with sending countries. The last of these claims has long been questioned: the liberal British approach to immigration from the A-8 has actually been identified as a point of tension with sending countries. British efforts to exploit workers’ economic potential have namely entailed the poor treatment of A-8 nationals. The A-8 are, moreover, themselves facing labour shortages thanks in part to emigrant flows to the UK.

Yet, it is the latest research from the Lords, scrutinising the government’s claims about the economy and welfare system, as well as immigration control, that has most shaken the rosy picture presented by the government. The Lords Economic Committee suggests that EU and

non-EU immigration may well have caused the economic growth that the government posits; however, this has brought little increase in the prosperity of citizens. Instead the gains are unevenly distributed, accruing mainly to businesses and future waves of immigrant: this economic growth will likely create new jobs that can only be filled by further immigration.

Some workers in the lowest-paid sectors have, moreover, lost out as wages are driven down. In some cases, even the existence of a national minimum wage (NMW) has not protected them: employers have in effect begun to pay immigrants less than the NMW, housing the workers themselves and deducting the costs of accommodation from immigrants' wages. Welfare costs have, meanwhile, been pushed up, and alternative approaches to the "demographic crisis" such as raising the pensionable age have been neglected.

As for immigration control, the "regularisation" of A-8 citizens working in the UK prior to 2004 without authorisation has been claimed as a significant benefit of the free-movement arrangement. Yet, the recent critics argue not only that far more A-8 workers have come to Britain than official estimates predicted, but also that the labour market might have been better catered for by more discerning policies differentiated by sector or region. The Lords also question whether A-8 immigration has diminished the UK's reliance on non-EU immigration as expected: non-EU immigrants may remain more attractive to employers because their entry-conditions tie them to the employer in question.

3. An argument for restriction?

The latest evidence from the UK has bolstered opponents of liberalisation in the R-5:

- rather than fully removing restrictions, the better option for the UK in 2004 might have been to retain selected labour-market controls. Only in chosen sectors and regions should restrictions have been lifted. In order to improve relations with the A-8, the governments of the new member states could have been given a consultative role in advance of any British liberalisation, so as to ensure that their own labour-market shortages were not exacerbated.
- analysts have previously argued that many of the R-5 are more in need of immigrant labour than the UK (thanks to their high labour and welfare costs), and simultaneously less able to take advantage of it (thanks to their tight labour regulation and welfare obligations). By contrast, the latest findings from the UK question the benefits of immigration for welfare systems, whilst stressing the importance of labour-market regulation in order to safeguard the interests of citizens.

The drawbacks identified by the Lords should not, however, be overplayed. The recent critique of immigration in the UK is in large part understood as a reaction against the British government's previous dominance of the debate—Labour has no majority in the Lords. And the core arguments of the government as regards economic and labour-market growth have not been overturned, merely attacked from a different light. The Lords might even be criticised for being too conservative in their methodology, for example as regards the positive "spillover effects" of labour immigration, as well as for failing to consider how the British economy would have developed without this immigration.

In each of the Five, moreover, the free-movement issue is embedded in a domestic context far broader than the terms of the Lords report. For example, the business community might well advocate EU immigration as a source of labour, but also as a spur to broader labour-market deregulation. Trade Unions may be prepared to drop opposition to free movement, but only to strengthen their position in demanding greater protection for low-paid workers. The public's concerns too are likely to go well beyond the "functional" concerns of the Lords. At the same time, the Lords' focus was also too large to be relevant to most EU states—the report looked not only at intra-EU migration but also at the large-scale immigration to the UK from non-EU sources. Finally it is worth mentioning that the data on the British experience, 2004-2008, are patchy enough even before their application to today's very different R-5 systems.

4. The Five's decision in context

Perhaps most fundamentally, policy-makers in the R-5 appear to be asking the wrong questions of the UK experience. The Five are in fact no longer able to decide about the free-movement of A-8 workers on the basis of the kind of cost/benefit analysis presented by the Lords: For one thing, the terms of the 2003 Accession Treaty make it difficult to maintain

restrictions from 2009. Only “in case of serious disturbances of [their] labour market or threat thereof”, may member states maintain restrictions for a further two years. Some analysts have argued that this decision may be challenged in the courts. In 2011, “transitional” restrictions must anyway be removed in their entirety.

For another thing, the decision will be embedded in a normative context at odds with narrow cost/benefit calculations. The R-5 are under pressure to behave as “good Europeans” extending the free-movement provisions that sit at the heart of the European Treaties to all EU citizens. Recent reports suggest that, alongside Germany, only Austria is planning to retain its labour-market restrictions vis-à-vis the A-8 from 2009. Indeed, France has begun preparation talks.

Lastly, unlike the UK, four of the R-5 have no opt-out from EU immigration policy—a policy area which is beginning to develop at some speed. In order to constructively engage with the EU-level debate on labour migration from non-EU sources, the R-5 need to clarify their reliance upon intra-EU migration.

5. Preparing for free movement

Given the 2011 date, the question is much less whether the R-5 should further open their labour markets, but rather how best they can prepare for it.

► **What scale of immigration?** The stock of potential A-8 migrants is generally deemed to have dwindled. London’s Institute for Public Policy Research (IPPR) think tank points to an improvement in wages and employment prospects in the Eight, and to the demographic changes there that have reduced the numbers with a “typical” migrant profile. According to the Home Office’s *Accession Monitoring Report* for the period to December 2007, numbers of immigrants to the UK have indeed fallen away following a high in 2006.

One reason for the dwindling numbers coming to the UK is of course the opening of national labour markets elsewhere in the EU. Yet, the UK is likely to function as a significant diversion vis-a-vis the R-5: even as the pound devalues, some pull factors remain constant in Britain that are not present in most other members—its labour-market flexibility was deemed one reason why it attracted far more immigrants than Sweden in the initial phase. The desire to learn the English language, rather than exploit more formal training opportunities elsewhere, also acted as a pull factor. There is, however, no research on the question whether A-8 migrants in the UK intend to relocate to the Five.

► **What kind of immigration?** According to IPPR, some two thirds of workers registered under the WRS are Polish (500,000). These in turn represent one third of total Polish migrants according to the Polish Statistical Office (nearly one quarter are estimated to be in Germany). 53% of A-8 workers registered in the UK are men. Again, according to IPPR, ca. 43% are aged 18-24; ca. 39% are aged 25-34. A study of A-8 workers, albeit one with a dataset of just 900, found that 30% had a university degree and 22% an undergraduate degree. Although A-8 workers have one of the highest rates of employment amongst foreign national groups in the UK, the proportion of A-8 workers in high-skilled jobs is low, and IPPR’s research suggests that education attainment has little impact on earnings. Indeed, those immigrants with vocational qualifications have been more successful at avoiding unskilled work like cleaning.

► **How to prepare?** British policy is deemed to have lacked coherence on three fronts:

Vertical coherence. In its 2007 report, the British Audit Commission (an independent body checking that public money is spent well) complains of the lack of coherence between different levels of government. Solutions—tailored to the specific British system of local government—might include bolstering local service provision (perhaps establishing a contingency fund to support local services), setting up better tools for monitoring and steering the regional distribution of immigrants, and establishing structures to share information and best practice.

Horizontal coherence. The government is criticised for its failure to ensure coherence between related policy areas—neglecting social policy and focussing too much on the economy. The 2007 report of the government’s Commission on Integration and Cohesion suggests remedies, including making employers pay for immigrants’ language training. Other suggestions are more radical: employers should bid for work permits for non-EU immigrants, with the proceeds going to local services and social integration programmes.

International coherence. As noted above, the UK was insufficiently sensitive to the priorities of A-8 countries. The sending of remittances could have been facilitated, and countervailing concerns about terrorist financing and cross-border financial flows clarified. The UK also neglected the broader foreign-policy of its free-movement provisions context: efforts to reduce reliance upon non-EU forms of immigration can have a negative impact on foreign and development policy goals.

► **How to communicate the changes?** In this question, something can be learnt from the UK government's *failure* to sell the idea of immigration from Bulgaria and Romania to the public in 2007:

Engage early in public debate. Prior to the 2004 enlargement, the liberalisation of UK immigration policies had occurred largely via discretionary executive channels. In 2004, it was discovered that the authorities were abusing this discretion and not subjecting visa applications from Romania and Bulgaria to the proper scrutiny. When the government finally subjected itself to public debate, the public was mistrustful.

Ensure the public has a proper picture of the available facts. Prior to 2004, the British public was not warned of the limitations of statistical models predicting the numbers of arrivals from the A-8. Their inaccuracy subsequently undermined public faith in the government's entire control capacity. The WRS was, meanwhile, supposed to give an accurate picture of migration patterns as they occurred. In fact, it helped distort it. Those workers *leaving* the UK did not have to register, only those entering. This meant that an exaggerated picture was given of the numbers of immigrants in the UK. Research published in April 2008 estimates that some half of all those from the A-8 have already left the country. Further, according to the Home Office's *Accession Monitoring Report, May-December 2005*, up to 40% of those A-8 nationals who registered under the WRS may previously have been working in the country irregularly. Most commentators assumed that *all* those who registered under the WRS were new to the country.

Foster objective debate on all aspects of policy, not merely the question of free movement. Previous research from the Centre for European Political Communications (EURPOLCOM) criticises successive British governments made it taboo to broach questions of immigrant integration policy and "race relations". As a result, the public may have brought up problems of race relations when ostensibly discussing immigrant entry policy, opposing the former when the government has consulted it on the latter.

Personalise the debate. EURPOLCOM also suggests that British publics, like their continental counterparts, have been typically hostile to the abstract idea of greater numbers of workers gaining entry to the UK. By contrast, when confronted with the deportation of local immigrants, they have often been highly liberal. The difference is that the latter have gained a "human face". The UK government failed to make the prospect of intra-EU immigration anything more than an abstract threat (c.f. the faceless "Polish plumber" elsewhere in Europe).

Bring arguments in line with notions of patriotism and national identity. The British government did not appeal to the notion that the UK was engaged in international competition for the best workers. Instead of being a matter for national pride, the arrival of workers from the new member states was thus seen as a threat to the nation.

6. Concluding remarks

Of course, these "British lessons" may be deemed too far removed from the specific political contexts of the Five. Take, for example, the case of Germany: not only might the British recommendations as regards communication smack of "spinning" facts, they may prove impossible to realise. The German federal government will be reluctant to bring up such issues in an election year, and the idea of bringing "patriotism" into the debate about immigration would be even more controversial than in the British context.

Yet, the core lesson from the UK remains unchanged: the scope of the debate in the Five needs to be shifted to include a focus on the preparations necessary for free movement.